

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name *See Note Below Tri-City Fire Department	County Oakland
Fiscal Year End June 30, 2006	Opinion Date July 17, 2006	Date Audit Report Submitted to State August 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

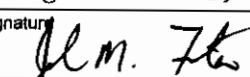
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.		Telephone Number 248-646-9666	
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State MI
		Zip 48304-2377	
Authorizing CPA Signature 	Printed Name John M. Foster		License Number 1101016537

NOTE: The Fire Department is supported by equal contributions from the communities of Keego Harbor, Orchard Lake and Sylvan Lake.

TRI-CITY FIRE DEPARTMENT

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# JANZ & KNIGHT, P.L.C.

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Tri-City Fire Department

We have audited the accompanying financial statements of the governmental activities and each major fund of Tri-City Fire Department, as of and for the year ended June 30, 2006, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tri-City Fire Department management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Tri-City Fire Department, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

*Janz & Knight, P.C.*

Certified Public Accountants

Bloomfield Hills, Michigan

July 17, 2006

# TRI-CITY FIRE DEPARTMENT

June 30, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tri-City Fire Department's (the Fire Department) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Fire Department's financial activity, identify changes in the Fire Department's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

### Using this Annual Report

The Fire Department's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than government-wide financial statements.

### Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

### The Fire Department as a Whole

Net Assets - The Fire Department's combined net assets were \$1,612,635 and \$1,701,683 at the close of the years ended June 30, 2006 and 2005, respectively. This represents a decrease of \$89,048 or a 5% decrease from a year ago. The majority of this decrease is related to depreciation.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2006 and 2005:

Table 1  
Statement of Net Assets

	Governmental Activities	
	June 30, 2006	June 30, 2005
ASSETS		
Current and other assets	\$ 270,755.06	\$ 272,365.10
Capital assets	<u>1,342,085.95</u>	<u>1,429,621.78</u>
Total assets	<u>\$1,612,841.01</u>	<u>\$1,701,986.88</u>
LIABILITIES AND NET ASSETS		
Current and other liabilities	\$ 206.25	\$ 304.34
Total liabilities	\$ 206.25	\$ 304.34
Net assets:		
Invested in capital assets, net of related debt	1,342,085.95	1,429,621.78
Unrestricted	<u>270,548.81</u>	<u>272,060.76</u>
Total net assets	<u>\$1,612,634.76</u>	<u>\$1,701,682.54</u>
Total liabilities and net assets	<u>\$1,612,841.01</u>	<u>\$1,701,986.88</u>

# TRI-CITY FIRE DEPARTMENT

June 30, 2006

Unrestricted net assets are net assets that can be used to finance day to day operations. Designated net assets of the Fire Department totaled \$270,549. These net assets have limitations on their use that were imposed by the Board. The investment in capital assets represents the Fire Department's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2006 and 2005:

Table 2  
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Program Revenue:		
Charges for services	\$ 611,887.50	\$ 582,750.00
General Revenue:		
Investment income	7,832.98	4,621.94
Miscellaneous	(87.85)	(271.30)
Loss on disposal of assets	<u>(19,275.07)</u>	
Total revenue	\$ 600,357.56	\$ 587,100.64
Program Expenses:		
Public safety	<u>689,405.34</u>	<u>651,846.44</u>
Total program expenses	\$ 689,405.34	\$ 651,846.44
Increase (decrease) in net assets	\$ (89,047.78)	\$ (64,745.80)
Net assets - beginning of year	<u>1,701,682.54</u>	<u>1,766,428.34</u>
Net assets - end of year	<u>\$1,612,634.76</u>	<u>\$1,701,682.54</u>

As shown in the above table total revenues for the years ended June 30, 2006 and 2005 were \$600,358 and \$587,101, respectively, of which the majority of revenues were obtained from participating cities. Total expenses for the years ended June 30, 2006 and 2005 were \$689,405 and \$651,846, respectively, of which 88.8% and 89.4%, respectively, of the Fire Department's expenses related to the contract with West Bloomfield for operations.

## The Fire Department Funds

The analysis of the Fire Department's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Fire Department as a whole. The Fire Department Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Fire Department's major fund for 2006 is the General Fund.

The General Fund is the main operating fund of the Fire Department. Total revenues for the years ended June 30, 2006 and 2005 were \$627,133 and \$587,101, respectively. Of this revenue, contributions from Cities accounted for the majority of the total revenue. Total expenditures for the years were \$628,645 and \$589,374, respectively. This included \$611,888 paid to West Bloomfield Township for fire protection. At June 30, 2006 the unreserved fund balance of \$270,549 represented 43% of the total General Fund expenditures for the year.

## General Fund Budgetary Highlights

Over the course of the year, the Fire Department Board did amended the budget.

The Fire Department overall expenditures stayed below budget, resulting in total expenditures of \$743 below budget. The General Fund's fund balance did decrease \$1,512. The decrease is primarily due to investment income being less than budgeted.

TRI-CITY FIRE DEPARTMENT

June 30, 2006

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2006, the Fire Department had \$1,342,086 invested in a broad range of capital assets (net of accumulated depreciation), including buildings and fire equipment. The Fire Department leases its assets to West Bloomfield Township for \$1.00, annually.

Long-Term Debt

The Fire Department's total indebtedness as of June 30, 2006 is none.

Economic Factors and Next Year's Budgets and Rates

The Fire Department's fiscal 2007 budget was prepared using various economic factors as follows:

Revenues

The Fire Department will assess participating City's an amount equal to West Bloomfield's contracted services, since no undesignated fund balance remains.

Expenditures

The contracted services from West Bloomfield will increase 5% per contract.

The fiscal 2007 General Fund budget expects a surplus of approximately \$7,400. Accordingly, the Fire Department is planning on using this surplus to restore the designated truck fund. The projected General Fund's fund balance at June 30, 2007 is approximately \$277,950 which represents approximately 43% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Fire Department, at the Tri-City Fire Department, 3300 Orchard Lake Road, Orchard Lake, Michigan 48342.

TRI-CITY FIRE DEPARTMENT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Fund Types General Fund
ASSETS	
Cash and investments . . . . .	\$ 269,771.96
Accounts receivable . . . . .	983.10
Capital assets, net . . . . .	1,342,085.95
Total assets . . . . .	<u>\$1,612,841.01</u>
LIABILITIES AND NET ASSETS	
Accounts payable . . . . .	\$ 206.25
Total liabilities . . . . .	\$ 206.25
Net assets:	
Invested in capital assets . . . . .	1,342,085.95
Unrestricted . . . . .	<u>270,548.81</u>
Total net assets . . . . .	<u>\$1,612,634.76</u>
Total liabilities and net assets . . . . .	<u>\$1,612,841.01</u>

The attached notes are an integral part of the financial statements.

## TRI-CITY FIRE DEPARTMENT

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Public safety . . . . .	\$ 689,405.34	\$611,887.50	\$ -	\$ -	\$ (77,517.84)
Total governmental activities . . . .	\$ 689,405.34	\$611,887.50	\$ -	\$ -	\$ (77,517.84)
Total primary government . . . . .	\$ 689,405.34	\$611,887.50	\$ -	\$ -	\$ (77,517.84)
General revenues:					
Interest income . . . . .					7,832.98
Miscellaneous . . . . .					(87.85)
Special item - disposal of fixed assets . . . . .					(19,275.07)
Total general revenues and special items . . . . .					\$ (11,529.94)
Changes in net assets . . . . .					\$ (89,047.78)
Net assets - July 1, 2005 . . . . .					1,701,682.54
Net assets - June 30, 2006 . . . . .					\$1,612,634.76

The attached notes are an integral part of the financial statements.



TRI-CITY FIRE DEPARTMENT

GOVERNMENTAL FUND  
BALANCE SHEET

June 30, 2006

	General Fund
<b>ASSETS</b>	
Cash and investments . . . . .	\$ 269,771.96
Accounts receivable . . . . .	983.10
<b>Total assets . . . . .</b>	<b>\$ 270,755.06</b>
<b>LIABILITIES AND FUND EQUITY</b>	
Accounts payable . . . . .	\$ 206.25
<b>Total liabilities . . . . .</b>	<b>\$ 206.25</b>
Fund balances:	
Unreserved:	
Designated for fire trucks . . . . .	270,548.81
<b>Total fund balances . . . . .</b>	<b>\$ 270,548.81</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 270,755.06</b>
 <b>Total governmental fund balances . . . . .</b>	 <b>\$ 270,548.81</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the governmental funds:	
Governmental capital assets . . . . .	1,920,587.12
Less accumulated depreciation . . . . .	(578,501.17)
	<u>\$1,342,085.95</u>
<b>Net assets of governmental activities . . . . .</b>	<b>\$1,612,634.76</b>

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 2006

	<u>General</u>
Revenues:	
Charges for services:	
Assessments for fire protection. . . . .	\$ 611,887.50
Interest income. . . . .	7,832.98
Miscellaneous:	
Loss on sale of security . . . . .	(87.85)
Sale of fixed asset. . . . .	<u>7,500.00</u>
Total revenues . . . . .	\$ 627,132.63
Expenditures:	
Public safety. . . . .	<u>628,644.58</u>
Total expenditures . . . . .	<u>\$ 628,644.58</u>
Excess of revenues over (under) expenditures . . .	\$ (1,511.95)
Fund balance, beginning of year. . . . .	<u>272,060.76</u>
Fund balance, end of year. . . . .	<u><u>\$ 270,548.81</u></u>

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net change in fund balances - total governmental fund . . . . . \$ (1,511.95)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation:

Expenditures for capital assets . . . . .	-
Less current year depreciation . . . . .	(60,760.76)
	<u>\$ (60,760.76)</u>

Governmental funds report proceeds from sale; in the statement  
of activities, only the respective gain or loss is recognized . (26,775.07)

Change in net assets of governmental activities . . . . . \$ (89,047.78)

The attached notes are an integral part of the financial statements.

TRI-CITY FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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NOTE A - Summary of Significant Accounting Policies

The accounting policies of the Tri-City Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Tri-City Fire Department.

Reporting Entity

Based on the Tri-City Fire Protection Agreement adopted November 1, 1968 the Tri-City Fire Department provides fire protection for the Michigan communities of Keego Harbor, Orchard Lake Village and Sylvan Lake. The three cities contribute equally towards funding the fire department's annual expenditures. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each of the cities. Any city may withdraw from this agreement as of the last day of the term or at any time upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department.

As of July 1, 2003 Tri-City Fire Department contracted with West Bloomfield Township to provide full-time fire protection and Advanced Life Support. The participating cities agree to pay the Township through the Fire Board, who will in turn pay the Township on behalf of the cities.

The initial term of this agreement shall be for 8 (eight) years. Provided that the three cities and Fire Board are not in default, the term shall be automatically extended for up to 4 (four) additional and separate 5 (five) year terms.

Quarterly payments are payable on the first day of July, October, January and April. Subsequent year's payment will increase 5% annually. For the year ended June 30, 2006 the Fire Department paid West Bloomfield Township \$611,888.

The Fire Board is leasing the real property and its equipment and supplies to the Township for \$1.00, annually.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

TRI-CITY FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE A - Summary of Significant Accounting Policies (continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. All other revenue items are considered to be available only when cash is received by the government.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

Governmental Funds:

The Fire Department reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Investments

Deposits are carried at cost and consist of investments in short-term investments.

Receivables

All trade receivables are considered fully collectible by the Fire Department. No provision has been made in the financial statements for noncollection.

Capital Assets

Capital assets, which include land, buildings, vehicles, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	50
Vehicles	7-20
Furniture and Equipment	5-20

Fund Equity

In the fund financial statements, governmental funds report designations of fund balance; these are tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TRI-CITY FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE B - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at year end. The Fire Department's appropriation resolution is generally passed during the preceding year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The Board Chairman has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The Fire Department Board must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Board Chairman can transfer appropriations between line items within a department or activity without governing body approval.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Tri-City Fire Department did not incur expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated.

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Fire Department is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Fire Board has designated various banks for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authorities as listed above, except repurchase agreement, bankers acceptances, state or local obligations and commercial paper. Tri-City Fire Department's investment policy are in accordance with statutory authority and the investment policy of the Fire Department.

The Department's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department does not have a deposit policy for custodial credit risk. At year end, the Department had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

TRI-CITY FIRE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE C - Deposits and Investments (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Department does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Department's name.

<u>Type of Investment</u>	<u>Fair Value</u>	<u>How Held</u>
U.S. government and agency securities	\$ 210,163	Counterparty

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Department's investment policy does restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity, to a maximum of five years. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government and agency securities:		
U.S. Treasury Note	\$ 14,763	3 years
Federal National Mortgage Association	195,400	3.5 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Government Agency Securities	\$ 195,400	AAA	S & P

Concentration of Credit Risk

The Department places no limit on the amount the Department may invest in any one issuer. The Department has more than 5% of its investments in the following:

U.S. Treasury Note	7.0%
U.S. government agency:	
Federal National Mortgage Association	93.0%

TRI-CITY FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 225,000.00	\$	\$	\$ 225,000.00
Capital Assets Being Depreciated:				
Buildings	\$1,145,943.87	\$	\$	\$1,145,943.87
Vehicles	459,105.88			459,105.88
Furniture and Equipment	145,920.16		55,382.79	90,537.37
Subtotal	\$1,750,969.91	\$	\$ 55,382.79	\$1,695,587.12
Less Accumulated Depreciation for:				
Buildings	\$ 216,964.80	\$ 22,918.88	\$	\$ 239,883.68
Vehicles	248,563.91	27,520.31		276,084.22
Furniture and Equipment	80,819.42	10,321.57	28,607.72	62,533.27
Subtotal	\$ 546,348.13	\$ 60,760.76	\$ 28,607.72	\$ 578,501.17
Net Capital Assets Being Depreciated	\$1,204,621.78	\$(60,760.76)	\$ 26,775.07	\$1,117,085.95
Governmental Activities - Total Capital Assets - Net of Depreciation	\$1,429,621.78	\$(60,760.76)	\$ 26,775.07	\$1,342,085.95

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$60,760.76

NOTE E - Designated Fund Balance:

The Board has established internally designated funds to be used as follows:

	<u>Fire Trucks</u>
Balance - June 30, 2006	\$270,548.81

NOTE F - Risk Management:

The fire department is exposed to various risks of loss related to general liability, errors and omissions, property and crime, vehicle liability, vehicle physical damage, fire legal liability, employee injuries, and fire fighters' accidental death. The West Bloomfield Fire Department insures the Fire Department for all the above liabilities.



REQUIRED SUPPLEMENTAL INFORMATION

TRI-CITY FIRE DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Charges for services:				
Assessments for fire protection . . . . .	\$ 611,887.50	\$ 611,887.50	\$ 611,887.50	\$
Interest income . . . . .	10,000.00	10,000.00	7,832.98	(2,167.02)
Miscellaneous:				
Loss on sale of security . . . . .			(87.85)	(87.85)
Sale of fixed asset . . . . .		7,500.00	7,500.00	
Total revenues . . . . .	\$ 621,887.50	\$ 629,387.50	\$ 627,132.63	\$ (2,254.87)
Expenditures:				
Public safety:				
Contracted services - fire protection . . . . .	611,887.50	611,887.50	611,887.52	(0.02)
Contribution to West Bloomfield Fire Department . . . . .		7,500.00	7,500.00	
Unemployment insurance . . . . .		1,850.00	1,856.27	(6.27)
General Administration:				
General administration and office expense . . . . .	1,500.00	1,500.00	1,096.61	403.39
Bank service fee . . . . .		300.00	334.18	(34.18)
	\$ 1,500.00	\$ 1,800.00	\$ 1,430.79	\$ 369.21
Professional fees . . . . .	3,150.00	2,875.00	2,775.00	100.00
Maintenance - building . . . . .		3,200.00	3,195.00	5.00
Variable expenses:				
Contingency fees . . . . .	5,350.00	275.00		275.00
Total public safety . . . . .	\$ 621,887.50	\$ 629,387.50	\$ 628,644.58	\$ 742.92
Excess of revenues over (under) expenditures . . . . .	\$ -	\$ -	\$ (1,511.95)	\$ (1,511.95)
Fund balance, beginning of year . . . . .	272,060.76	272,060.76	272,060.76	
Fund balance, end of year . . . . .	\$ 272,060.76	\$ 272,060.76	\$ 270,548.81	\$ (1,511.95)

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CERTIFIED PUBLIC ACCOUNTANTS

July 17, 2006

FREDERICK C. JANZ  
ROBERT I. KNIGHT  
KENNETH E. ZINK  
JOHN M. FOSTER

JOHN W. MACKAY  
MICHAEL V. HIGGINS  
JOHN E. MIELKE, JR.  
DAWN M. LENGERS  
JOSHUA J. LYNN  
JAMES A. STEPHENSON, IV  
STEPHEN C. OTIS

To the Board and Management of  
the Tri-City Fire Department

In planning and performing our audit of the general purpose financial statements of the Tri-City Fire Department for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Tri-City Fire Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

- I. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. During the year ended June 30, 2006 the fire department had several small budget variances.

We urge the Board to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures which will exceed the budget. Budget amendments must be made prior to the end of the fiscal year.

This report is intended solely for the information and use of the Board, management, and others within the administration. However, this report is a matter of public record, and its distribution is not limited.

We would be pleased to discuss any of the aforementioned items with the Board and to assist in the implementation of these recommendations at your convenience.

Very truly yours,

*Janz & Knight, PLLC*

Certified Public Accountants